

What a Licensed Escrow Company Can Do For You

Most real estate transactions in the state of California utilize the services of an escrow company. Ironically, escrow remains one of the least understood elements of the real estate process.

Because of this, buyers and sellers often place their faith in the real estate broker or lender to recommend an escrow company. What many consumers don't realize, however is that they are entrusting this escrow company to safeguard their funds being held in trust. In addition, it is the primary responsibility of the escrow holder to ensure that all of the necessary instructions in the real estate agreement are executed.

The responsibility to protect the consumers' interests should not be taken lightly. The escrow holder must remain impartial during the escrow period to ensure fair representation of all parties. It is crucial, then, that the broker, lender or consumer make a knowledgeable and informed decision in choosing an escrow company.

"Licensed" vs. "Controlled"

All escrow companies in California can be classified into two basic categories: Licensed or Controlled. "Licensed" escrow companies are independent businesses licensed by the California Department of

Corporations. This license regulates the procedures and practices of the companies and subjects them to stringent requirements designed to protect consumers. "Controlled" escrow companies are non-licensed businesses that can be owned by a variety of entities, including real estate brokers, mortgage brokers, banks, savings and loans, and title insurance companies. Such companies fall under the jurisdiction of a variety of supervising agencies, with regulations and requirements that vary widely. One fact remains constant, however. None of the agencies have regulations as strict as those imposed on the escrow companies licensed by the Department of Corporations.

Better Protection

Although the majority of escrow companies are honest and above board, the large sums of money and handled by escrow companies can entice unscrupulous individuals to abscond with the funds they are holding in trust. Unless the escrow company is bonded, there is often no safeguard assuring the return of the money to the consumers.

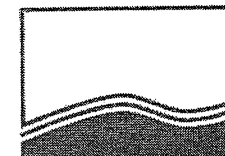
Licensed escrow companies are consumers' best bet for safeguarding their funds. All licensed escrow companies are required to be members of the Escrow Agents' Fidelity Corporation, which provides fidelity coverage for member trust accounts in the amount of \$5 million. This fidelity board guarantees that, in the event of theft of trust accounts, the consumers' funds are protected.

Higher Standards

The stringent requirements by the Department of Corporations assure that every licensed escrow company has met the highest standards of the industry. Consumer protection regulations unique to licensed escrow companies include:

- A certification program for all escrow officers in the company's employ, including fingerprinting and background checks by the Department of Justice;
- A requirement that an escrow officer with at least five years experience be on-site;
- Financial stability requirement, including a minimum of two audits a year;
- Prohibiting employment of convicted felons or anyone who has been disbarred from the escrow industry;
- Membership with the Escrow Agents Fidelity Corporation which provides a \$5 million fidelity bond.

The bottom line is that a licensed escrow company is the best possible third party to complete your real estate transaction. Whether searching for an escrow holder yourself, or looking to recommend one to a client, a licensed escrow company gives piece of mind.



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